

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF TAYLOR COUNTY RURAL)
ELECTRIC COOPERATIVE CORPORATION TO)
BORROW AN ADDITIONAL SUM OF \$3,549,000)
FROM THE UNITED STATES OF AMERICA AND TO)
EXECUTE A NOTE FOR SAID AMOUNT AND TO)
CONCURRENTLY BORROW FROM ITS)
SUPPLEMENTAL LENDER, COBANK, THE)
ADDITIONAL SUM OF \$1,522,000 AND TO)
EXECUTE ITS NOTE THEREFOR, SAID NOTES TO)
BE SECURED BY AN EXISTING COMMON)
MORTGAGE HERETOFORE EXECUTED)

CASE NO. 99-268

O R D E R

On July 21, 1999, Taylor County Rural Electric Cooperative Corporation (Taylor County) applied for authority to issue notes in the amount of \$1,522,000 to CoBank. Taylor County intends to use the proceeds of these notes to finance the projects contained in its 1998-2000¹ Work Plan, which the Commission has previously approved. CoBank approved a loan in the amount of \$1,522,000 on June 10, 1999.

¹ Taylor County s 1998-2000 Work Plan was approved at a cost of \$7,571,749 in Case No. 98-119, Application of Taylor County Rural Electric Cooperative Corporation for a Certificate of Convenience and Necessity, final Order dated November 3, 1998.

In addition to funding from CoBank, Taylor County received approval for \$3,549,000 in loans from the Rural Utilities Service (RUS), on June 1, 1999.²

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The loan from CoBank in the amount of \$1,522,000 is for lawful objects within the corporate purposes of Taylor County, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonable, necessary and appropriate for such purposes.

2. Taylor County is capable of executing its notes as security for the loan as stated herein.

3. Taylor County should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Taylor County should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Taylor County application.

² The loan requests to RUS and CoBank represent the first part of a two-part financing program for the 1998-2000 Work Plan. The first part financing totals \$5,071,000, of which the CoBank loan represents 30 percent. In addition, the total cost of the 1998-2000 Work Plan was reduced to \$7,272,000, as RUS required that the original cost of poles scheduled for replacement in the Work Plan be deducted from the total cost.

6. Taylor County should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency does not require Commission approval, KRS 278.300(10), and as the RUS is an agency of the federal government, no action on Taylor County's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. Taylor County is authorized to borrow \$1,522,000 from CoBank for a 35-year period and bearing a variable rate depending upon maturity elections, as chosen by Taylor County at the time the first monies are drawn from CoBank, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

2. Taylor County is authorized to execute its notes as security for the loan authorized herein.

3. Taylor County shall comply with all matters set out in Findings 3 through 7 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 18th day of August, 1999.

By the Commission

ATTEST:

Executive Director